

## Message Text

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ORIGIN STR-07

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COME-00 EB-08 INR-10 LAB-04 NSAE-00 SP-02 TRSE-00  
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APPROVED BY STR:SLANDE  
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FM SECSTATE WASHDC  
TO USMISSION GENEVA PRIORITY  
AMEMBASSY OTTAWA

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MTN PASS HAMERSCHLAG

E.O. 11652: N/A

TAGS: MTN/ETRD/CA

SUBJECT: FOREST PRODUCT DISCUSSION: CANADA  
-  
REF: GENEVA 07175, GENEVA 07362, GENEVA 08468

### 1. SUMMARY

DURING JUNE 19 DISCUSSION WITH BROAD SPECTRUMS OF OFFICIALS FROM THE CANADIAN DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE, AND THE OFFICE OF THE COORDINATOR FOR THE MTN, THE U.S. DELEGATION FOUND LITTLE INTEREST ON THE PART OF THE CANADIANS IN EITHER HARMONIZATION OF CANADIAN AND U.S. LIMITED OFFICIAL USE

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PLYWOOD STANDARDS OR THE DEVELOPMENT OF A COMMON APPROACH TO THE JAPANESE BASED UPON U.S. STANDARDS. A FURTHER EXCHANGE OF VIEWS WILL BE HELD, PERHAPS BY PHONE, IN ABOUT 10 DAYS. END SUMMARY.

2. IN A LENGTHY DISCUSSION REGARDING THE UTILIZATION OF PLYWOOD IN CANADA, THE GOC REPRESENTATIVES ARGUED THAT

PLYWOOD MEETING U.S. STANDARDS (INCLUDING CDX) FACES NO PARTICULAR BARRIERS IN THE CANADIAN MARKET. TRADE DATA FOR 1974, WHEN U.S. PLYWOOD CAPTURED 20 PERCENT OF THE

CANADIAN MARKET - MUCH OF IT WITH D GRADE VENEERS - WAS PRESENTED AS EVIDENCE OF MARKET OPENNESS. THEY STATED THAT ONLY SUPPLY/DEMAND AND PRICE CONSIDERATIONS DETERMINE SALES LEVELS. IN HOME CONSTRUCTION, THE MODEL BUILDING CODE, ADAPTED FOR USE BY MANY PROVINCES AND CITIES, SPECIFIES THAT ONLY PLYWOOD THAT CONFORMS TO THE CANADIAN STANDARD FOR EXTERIOR PLYWOOD (ONLY C GRADE VENEER OR BETTER BONDED WITH EXTERIOR GLUE) MAY BE USED IN CERTAIN APPLICATIONS WHERE STRENGTH IS NEEDED - (ROOF SHEATHING, SUB-FLOORING). IN THOSE CASES IMPORTED CDX WOULD NOT BE APPROVED FOR RESIDENTIAL CONSTRUCTION. ENFORCEMENT OF THIS CODE IS A LOCAL MATTER HOWEVER AND IS NOT SUBJECT TO FEDERAL REGULATION OR CONTROL. FEDERAL REGULATIONS DO SPECIFY THAT HOUSES FINANCED BY THE CENTRAL MORTGAGE AGENCY MUST CONFORM TO PROVISION OF BUILDING CODES, INCLUDING THOSE REQUIRING USE OF PLYWOOD MEETING THE CANADIAN STANDARD FOR EXTERIOR USE (C OR BETTER) IN ROOF SHEATHING AND SUB-FLOORING.

CANADIAN GRADING STANDARDS ARE ESTABLISHED FOR EACH GRADE BY AN INDEPENDENT ASSOCIATION WHICH IS NOT SUBJECT TO GOVERNMENT CONTROL ALTHOUGH THERE ARE REPRESENTATIVES LIMITED OFFICIAL USE

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FROM A NUMBER OF CENTRAL GOVERNMENT AGENCIES ON THE ASSOCIATION BOARD. IT IS APPARENT THEREFORE THAT THE GOVERNMENT HAS CONSIDERABLE INFLUENCE ON THE SETTING OF STANDARDS. CANADIAN DELEGATES ALSO ARGUED THAT THEIR INDUSTRY HAS TAKEN GREAT CARE IN PROMOTING AN IMAGE OF CANADIAN PLYWOOD AS A PREMIUM PRODUCT SUITABLE FOR ANY USE. ADOPTION OF A WEAKER PRODUCT STANDARD (D GRADE) WOULD NOT BE IN THE CONSUMER INTEREST AND WOULD UNDERMINE THEIR MARKET DEVELOPMENT EFFORTS.

THEY ALSO DISCOUNTED THE IDEA THAT CANADA WILL BE FORCED TO MOVE INTO LOWER GRADE TIMBER AND THUS LOWER QUALITY VENEERS IN THE NEAR FUTURE. RATHER, THEY ARE DEPLETING THEIR SUPPLY OF DOUGLAS FIR, SUBSTITUTING LARGER QUANTITIES OF SPRUCE, WHICH IS SUITABLE FOR C GRADE PLYWOOD BECUASE IT HAS SMALL, INFREQUENT KNOTS. BASED ON THIS DISCUSSION, IT IS APPARENT THAT, AT PRESENT, THERE IS LITTLE CANADIAN INTEREST IN A TRADE-OFF BETWEEN A U.S. TARIFF CONCESSION ON PLYWOOD AND A CHANGE IN CANADIAN STANDARD TO RENDER D GRADE PLYWOOD ACCEPTABLE.

THE U.S. DELEGATION PRESENTED OUR POSITION THAT PLYWOOD

WITH D GRADE VENEERS IS STRUCTURALLY APPROPRIATE FOR USE  
IN ROOF SHEATHING AND SUB-FLOORS. BOTH RESEARCH AND  
LONG-TERM USE IN AREAS OF THE U.S. WITH CLIMATIC CON-

DITIONS SIMILAR TO THOSE OF CANADA, HAVE PROVEN THAT THE  
PRODUCT MEETS ADEQUATE PERFORMANCE STANDARDS. THE U.S.  
DELEGATION SUGGESTED THAT THE AVAILABILITY OF C GRADE  
MATERIAL IN CANADA DOES NOT JUSTIFY ARBITRARY EXCLUSION  
OF D GRADES WHICH CAN PERFORM SATISFACTORILY. AT THE  
BEGINNING OF THE DISCUSSION AND LATER IN RESPONSE TO  
SPECIFIC QUESTIONS, THE U.S. DELEGATION EMPHASIZED THE  
SERIOUSNESS WITH WHICH THE U.S. GOVERNMENT AND INDUSTRY  
VIEWS THIS TRADE BARRIER. U.S. DEL FURTHER STRESSED THAT  
THE ABILITY OF THE USG TO MAINTAIN ITS TARIFF OFFER WAS  
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HEAVILY DEPENDENT UPON CANADA'S RESPONSIVENESS TO OUR  
REQUEST FOR LIBERALIZATION OF SOFTWOOD PLYWOOD STANDARDS.

THE CANADIAN DELEGATION EXPRESSED SURPRISE THAT THE  
WESTERN CANADIAN PLYWOOD INDUSTRY WOULD SUPPORT A  
REVISION OF THE PLYWOOD STANDARD. IT APPEARS THAT  
CANADIAN INTEREST IN THIS CHANGE (REFTEL GENEVA 7175,  
PARA. 2) MAY HAVE BEEN OVERSTATED.

AT CONCLUSION OF MEETING BOTH SIDES AGREED IT WOULD BE  
HELPFUL TO EXCHANGE VIEWS AGAIN - EITHER IN GENEVA OR  
BY PHONE - IN 10 DAYS OR SO AFTER FURTHER CONSULTATIONS  
WITH INDUSTRY AND AT THE CONCLUSION OF THE JAPANESE  
VISIT TO THE U.S. AND CANADA. NO DETAILED DISCUSSION  
OF A COMMON APPROACH TO JAPAN WAS UNDERTAKEN. BOTH SIDES  
AGREED THEY HAVE SIMILAR DIFFICULTIES WITH EXPORTING TO  
JAPAN BUT BECAUSE OF THE DIVERGENCE OF VIEWS ON THE U.S. -  
CANADIAN STANDARDS ISSUE, THE DEVELOPMENT OF A COMMON  
APPROACH MAY NOT BE CURRENTLY FEASIBLE.

3. MEMBERS OF THE U.S. DELEGATION WILL MEET WITH ISAC  
REPRESENTATIVES ON FRIDAY TO DISCUSS THE OUTCOME OF THIS  
VISIT AND TO CONSIDER FUTURE COURSES OF ACTION.

4. USG IS CURRENTLY EXAMINING FOREIGN TARIFF OFFERS ON  
WOOD PRODUCTS. WE ARE INTERESTED IN KNOWING WHETHER THE  
CANADIANS MADE TARIFF REQUESTS OF THE JAPANESE IN THOSE  
ITEMS WHERE THEY ARE PRINCIPAL SUPPLIERS. IF SO, DOES  
GENEVA KNOW WHETHER OFFERS WERE MADE BY THE JAPANESE ON  
THOSE PRODUCTS? VANCE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** WOOD PRODUCTS, TRADE AGREEMENTS, NEGOTIATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 23 jun 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
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**Disposition Remarks:**  
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**Expiration:**  
**Film Number:** D780261-0447  
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**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FOREST PRODUCT DISCUSSION: CANADA -  
**TAGS:** ETRD, CA, US, MTN  
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**Type:** TE  
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